

Special Olympics Nebraska, Inc.
Omaha, Nebraska

Financial Statements
December 31, 2021,
with Comparative Totals for 2020

Together with Independent Auditor's Report

Special Olympics Nebraska, Inc.

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Independent Auditor's Report

To the Board of Directors of
Special Olympics Nebraska, Inc.
Omaha, Nebraska:

Opinion

We have audited the financial statements of Special Olympics Nebraska, Inc. (SONE) which comprise the statements of financial position as of December 31, 2021, the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SONE as of December 31, 2021, and the changes in operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SONE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SONE's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SONE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SONE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited SONE's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SEIM JOHNSON, LLP.

Omaha, Nebraska,
April 20, 2022.

Special Olympics Nebraska, Inc.

Statement of Financial Position December 31, 2021, with Comparative Totals for 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 331,467	622,925
Investments	1,577,210	1,198,413
Accounts receivable	3,347	--
Grants receivable	19,091	42,500
Prepaid expenses	<u>29,606</u>	<u>15,766</u>
Total current assets	1,960,721	1,879,604
Beneficial interest in charitable trust	91,764	75,143
Cash restricted for term endowment	106,005	114,521
Investments restricted for term endowment	3,356,377	2,875,856
Property and equipment, net	<u>8,452</u>	<u>3,934</u>
Total assets	<u>\$ 5,523,319</u>	<u>4,949,058</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 23,368	9,751
Accrued payroll and compensated absences	31,351	32,296
Deferred revenue	<u>79,726</u>	<u>19,800</u>
Total current liabilities	<u>134,445</u>	<u>61,847</u>
Commitments		
Net assets:		
Without donor restrictions	1,834,728	1,821,691
With donor restrictions	<u>3,554,146</u>	<u>3,065,520</u>
Total net assets	<u>5,388,874</u>	<u>4,887,211</u>
Total liabilities and net assets	<u>\$ 5,523,319</u>	<u>4,949,058</u>

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Activities

For the Year Ended December 31, 2021, with Comparative Totals for 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
REVENUE, GAINS AND OTHER SUPPORT:				
Contributions	\$ 532,958	--	532,958	654,052
Special events	332,750	--	332,750	346,888
Direct-marketing contributions	119,405	--	119,405	107,849
Grants	726,459	--	726,459	815,750
Donated goods and services	24,406	--	24,406	11,606
Special Olympics International distribution	--	--	--	752
Change in value of beneficial interest	--	16,621	16,621	9,539
Investment income, net	129,237	480,538	609,775	346,194
Miscellaneous	2,500	--	2,500	--
Net assets released from restrictions	8,533	(8,533)	--	--
	<u>1,876,248</u>	<u>488,626</u>	<u>2,364,874</u>	<u>2,292,630</u>
Total revenue, gains and other support				
EXPENSES:				
Program services	1,386,137	--	1,386,137	1,167,974
Management and general	187,942	--	187,942	194,057
Fundraising	289,132	--	289,132	253,941
	<u>1,863,211</u>	<u>--</u>	<u>1,863,211</u>	<u>1,615,972</u>
Total expenses				
CHANGE IN NET ASSETS	13,037	488,626	501,663	676,658
NET ASSETS, beginning of year	<u>1,821,691</u>	<u>3,065,520</u>	<u>4,887,211</u>	<u>4,210,553</u>
NET ASSETS, end of year	<u>\$ 1,834,728</u>	<u>3,554,146</u>	<u>5,388,874</u>	<u>4,887,211</u>

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2021, with Comparative Totals for 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 501,663	676,658
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	1,990	12,993
Change in unrealized gains on investments, net	(443,665)	(266,238)
Change in value of beneficial interest	(16,621)	(9,539)
(Increase) decrease in current assets -		
Accounts receivable	(3,347)	1,370
Grants receivable	23,409	(7,500)
Prepaid expenses	(13,840)	(9,283)
Increase (decrease) in current liabilities -		
Accounts payable	13,617	(11,970)
Accrued payroll and compensated absences	(945)	3,622
Deferred revenue	59,926	(22,900)
Net cash provided by operating activities	<u>122,187</u>	<u>367,213</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,508)	--
Proceeds from the sale of investments	1,278,385	885,489
Purchases of investments	<u>(1,694,038)</u>	<u>(884,710)</u>
Net cash (used in) provided by investing activities	<u>(422,161)</u>	<u>779</u>
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(299,974)	367,992
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>737,446</u>	<u>369,454</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u>\$ 437,472</u>	<u>737,446</u>

See notes to financial statements

Special Olympics Nebraska, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2021, with Comparative Totals for 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>	<u>2020 Total</u>
SALARIES AND BENEFITS:					
Salaries and contract labor	\$ 568,146	123,708	150,612	842,466	849,908
Employee benefits	67,459	10,614	15,048	93,121	99,814
Payroll taxes	40,892	9,472	10,280	60,644	59,512
Total salaries and benefits	676,497	143,794	175,940	996,231	1,009,234
OTHER EXPENSES:					
Event expenses	334,500	3,159	27,291	364,950	246,901
Direct school support	136,638	--	--	136,638	53,020
Occupancy	70,137	10,160	12,718	93,015	93,035
Operating expenses	52,814	733	19,437	72,984	77,981
Legal and professional fees	18,891	25,288	3,709	47,888	53,755
Advertising	14,682	--	22,164	36,846	6,722
Insurance	21,074	3,335	4,146	28,555	26,393
National fees	25,453	--	--	25,453	23,480
Travel, conferences and lodging	16,192	--	777	16,969	6,098
Telemarketing	--	--	16,368	16,368	562
Public education and awareness	16,368	--	--	16,368	562
Business expenses	1,440	1,234	6,282	8,956	5,236
Depreciation	1,451	239	300	1,990	12,993
Total expenses	\$ <u>1,386,137</u>	<u>187,942</u>	<u>289,132</u>	<u>1,863,211</u>	<u>1,615,972</u>

See notes to financial statements

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2021, with Comparative Totals for 2020

(1) Description of Organization and Summary of Significant Accounting Policies

The following is a description of the organization and a summary of the significant accounting policies of Special Olympics Nebraska, Inc. (SONE). These policies are in accordance with accounting principles generally accepted in the United States of America (GAAP).

A. Organization

SONE is a not-for-profit organization that was organized to provide sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities throughout the state of Nebraska. SONE is supported primarily by contributions and special events.

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not for Profit Entities*. Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor imposed restrictions. SONE maintains the following classes of net assets:

Net assets without donor restrictions are those net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of SONE.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash for purposes of the statement of cash flows includes investments with an original maturity of three months or less and exclude cash, cash equivalents, and restricted cash included in investments.

E. Grants Receivable

Grants that are expected to be collected within one year are recorded at net realizable value. Those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grant revenue. The receivables are reviewed for collectability and a provision for uncollectible amounts, if necessary, is recorded based on management's judgment and an analysis of individual donors, collection experience and other relevant factors. At December 31, 2021 and 2020, no allowance for uncollectible grants and no discount was deemed necessary.

Special Olympics Nebraska, Inc.

Notes to Financial Statements

December 31, 2021, with Comparative Totals for 2020

F. *Beneficial Interest in Charitable Trust*

SONE is the irrevocable partial beneficiary of a non-perpetual charitable remainder unitrust held by a third-party trustee. The trust was created independently of SONE and is neither in the possession nor under the control of SONE. The trust is administered by a third-party trustee as designated by the donor. SONE records its partial interest in the trust at fair value as measured by the present value of the estimated future distributions to be received by SONE over the term of the agreement, discounted at the rate commensurate with the risks involved.

The beneficial interests in charitable trusts are recognized as revenue when SONE is notified that it has been named as an irrevocable beneficiary and has sufficient information to make a reasonable estimate of the fair value of its interest. The value of the beneficial interest in charitable trust is adjusted annually for the change in fair value. The changes in value are reported as changes in net assets with donor restrictions. Upon the termination date specified by the trust, the partial interest in trust assets will be distributed to SONE by the trustee under the provisions of the trust agreement and the net assets will be reclassified from with donor restrictions to without donor restrictions.

G. *Investments*

All investments are measured at fair value in the statement of financial position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) are included in revenue, gains and other support without donor restrictions in the statement of activities unless the income is restricted by donor or by law.

H. *Property and Equipment, Net*

Property and equipment acquisitions are recorded at cost or, if donated, at fair value on the date donated. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Leasehold improvements	5 – 15 year
Furniture	5 – 7 years
Office equipment	5 – 7 years
Vehicles	5 – 7 years

When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss on disposition is reflected in operations. Repairs and maintenance are expensed as incurred; expenditures for additions, improvements and replacements are capitalized. SONE maintains a capitalization policy of \$2,500.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the long-lived assets are placed in service.

I. *Deferred Revenue*

Deferred revenue consists primarily of grant receipts contingent upon the incurrence of allowable qualifying expenses for future program activities and a right of return of funds based upon the grantor's review of certain qualifying criteria.

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2021, with Comparative Totals for 2020

J. Donor Restricted Contributions

Unconditional promises to give cash and other assets to SONE are reported at fair value at the date the promise is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Certain grants are conditioned upon the incurrence of allowable qualifying expenses and are recognized as the qualifying expense is incurred. In 2021 and 2020, SONE was awarded grants in the amount of \$500,000 and \$345,800, respectively, that are being recognized as qualifying expenses are incurred. For the years ended December 31, 2021 and 2020, revenue of \$479,800 and \$191,592, respectively, was recognized pursuant to the grant agreements.

Indications of intentions to give are not recognized until the cash or other assets are received. SONE expects to receive intentions to give of \$223,187 and \$271,138 as of December 31, 2021 and 2020, respectively. The intentions to give have not been recognized as assets or contribution revenue in the accompanying financial statements.

K. In-Kind Contributions

SONE receives services, equipment and facilities donated by volunteers and organizations interested in SONE's programs. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When the value of donated services is ascertainable, they are reflected at fair value in the statement of activities as revenue and expenses. Donated services, equipment and materials totaling \$24,406 and \$11,606 are included in contributions and offset with corresponding expenses for the years ended December 31, 2021 and 2020, respectively.

SONE also received donated volunteer services to benefit existing programs and activities. These contributions were not recognized as revenue in the statement of activities since they did not meet the recognition requirements in FASB ASC Topic 958.

L. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. SONE allocates salaries and related benefits based on an estimate of employee time spent. SONE allocates occupancy expenses on a weighted average of employee time spent and square footage, and other expenses are allocated by time and effort or are directly assigned to a functional classification.

M. Advertising Costs

Advertising costs are expenses as incurred and were \$36,846 and \$6,722 during the years ended December 31, 2021 and 2020, respectively.

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2021, with Comparative Totals for 2020

N. Income Taxes

SONE is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and has received a determination letter that it is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Internal Revenue Service has established standards to be met to maintain SONE's tax exempt status.

O. Comparative Amounts

The amounts shown for 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021, and are not intended to present all information necessary for a fair presentation of the 2020 financial statements in conformity with GAAP.

P. Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, requiring an entity to recognize lease assets and lease liabilities on the statements of financial position and disclose key information about leasing arrangements. The main difference between the updated standard and the existing guidance is the recognition of lease assets and lease liabilities for lessees for those leases classified as operating leases. ASU 2016-02 is required to be applied retrospectively. On June 3, 2021, the FASB issued ASU 2021-05 which grants a one year effective date delay applying this guidance. The new standard is now effective for fiscal years beginning after December 15, 2021, with early application permitted. SONE is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In September 2021, the FASB issued ASU 2021-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which requires not-for-profit organizations to present gifts-in-kind as a separate line item in the statements of activities and would require additional disclosures related to the nature of the gifts. The new standard is effective for fiscal years beginning after June 15, 2021, and interim periods within those fiscal years beginning after June 15, 2022. Early application is permitted. SONE is currently evaluating the effect that the updated standard will have on the financial statements.

Q. Subsequent Events

SONE considered events occurring through April 20, 2022 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2021, with Comparative Totals for 2020

(2) Cash, Cash Equivalents, and Restricted Cash

A reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to amounts shown in the statement of cash flows is as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 331,467	622,925
Cash restricted for term endowment	106,005	114,521
Total cash, cash equivalents, and restricted cash	<u>\$ 437,472</u>	<u>737,446</u>

Amounts included in cash restricted for term endowment include cash received with donor-imposed restrictions that limit the use of the cash to long-term purposes.

(3) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 331,467	622,925
Investments	1,577,210	1,198,413
Accounts receivable	3,347	--
Grants receivable	19,091	42,500
Beneficial interest in charitable trust	91,764	75,143
Cash restricted for term endowment	106,005	114,521
Investments restricted for term endowment	<u>3,356,377</u>	<u>2,875,856</u>
Total financial assets	5,485,261	4,929,358
Less financial assets not available for general expenditure within one year:		
Net assets with donor restrictions	<u>3,554,146</u>	<u>3,065,520</u>
Financial assets available to meet general expenditures	<u>\$ 1,931,115</u>	<u>1,863,838</u>

SONE's endowment funds are donor-restricted endowments. A committee that includes the donor meets 4-5 times a year to review and approve specific expenditures. Donor-restricted endowment funds are not available for general expenditure.

As part of SONE's liquidity management plan, SONE occasionally invests large cash balances that are not immediately needed for operations.

SONE also has a line of credit available to meet short-term needs. See Note 7 for information about this arrangement.

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2021, with Comparative Totals for 2020

(4) Grants Receivable

Grants receivable are estimated to be collected as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Within one year	\$ <u>19,091</u>	<u>42,500</u>

(5) Fair Value

SONE applies FASB ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that SONE has the ability to access at the measurement date.
- Level 2** Inputs are other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, through either corroboration or observable market data.
- Level 3** Inputs are unobservable for the asset or liability. Therefore, unobservable inputs shall reflect SONE's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. For the years ended December 31, 2021 and 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Beneficial interest in charitable trust – The valuation of the beneficial interest in charitable trust is classified as level 3 as there are no significant observable inputs, as they trade infrequently or not at all. The trust valuation is based on assumptions about the present value of distributions to be received from the trust, which generally include the current market value of the underlying assets using observable market inputs based on its beneficial interest in the trust discounted for present value using market rates.

Cash equivalents– Cash equivalents are recorded at fair value using quoted market prices.

Fixed income – Fixed income securities are comprised of U.S. Treasury notes and corporate bonds. U.S. Treasury notes are classified as Level 1 if they trade with sufficient frequency and volume to enable SONE to obtain pricing information on an ongoing basis. The valuation of corporate bonds are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Stocks – Traded on a national securities exchange and valued at the latest quoted market prices.

Mutual funds and ETF's – The fair value of mutual funds and ETF's are classified as Level 1 as the market values are based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2021, with Comparative Totals for 2020

The following table presents the balances of assets measured at fair value on a recurring basis at December 31, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	\$ --	--	91,764	91,764
Cash equivalents	\$ 161,551	--	--	161,551
Fixed income -				
Corporate bonds	--	282,822	--	282,822
Agency bonds	--	81,159	--	81,159
U.S. Treasury notes	231,457	--	--	231,457
Stocks -				
Domestic common	2,482,940	--	--	2,482,940
Foreign common	133,616	--	--	133,616
Mutual funds and ETF's -				
Equity	794,275	--	--	794,275
Fixed income	709,441	--	--	709,441
Real estate	56,326	--	--	56,326
Investments	\$ 4,569,606	363,981	--	4,933,587
	2020			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trust	\$ --	--	75,143	75,143
Cash equivalents	\$ 202,788	--	--	202,788
Fixed income -				
Corporate bonds	--	366,688	--	366,688
Agency bonds	--	85,897	--	85,897
U.S. Treasury notes	163,453	--	--	163,453
Stocks -				
Domestic common	2,024,650	--	--	2,024,650
Foreign common	136,841	--	--	136,841
Mutual funds and ETF's -				
Equity	577,946	--	--	577,946
Fixed income	489,655	--	--	489,655
Real estate	26,351	--	--	26,351
Investments	\$ 3,621,684	452,585	--	4,074,269

There were no purchases, issues or transfers into or out of assets measured at fair value on a recurring basis using level 3 inputs for the years ended December 31, 2021 and 2020. The asset balance changed as a result of a change in value of the beneficial interest in charitable trust.

Special Olympics Nebraska, Inc.

Notes to Financial Statements December 31, 2021, with Comparative Totals for 2020

(6) Property and Equipment

A summary of property and equipment at December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 36,649	30,141
Furniture	2,136	2,136
Office equipment	9,860	26,104
Vehicles	<u>58,439</u>	<u>58,439</u>
	107,084	116,820
Less: accumulated depreciation	<u>(98,632)</u>	<u>(112,886)</u>
Property and equipment, net	<u>\$ 8,452</u>	<u>3,934</u>

Depreciation expense of \$1,990 in 2021 and \$12,993 in 2020, is included in the statement of activities.

(7) Line of Credit

SONE's financing arrangement consists of a \$100,000 revolving bank line of credit with interest at the prime rate plus 1.00% as published in the Wall Street Journal (3.25% at December 31, 2021) subject to a 4.25% floor and payable monthly. The line matures in March 2022.

Subsequent to year-end, SONE entered into a \$100,000 revolving bank line of credit with interest at the prime rate plus 1.00% as published in the Wall Street Journal subject to a 4.25% floor and payable monthly. This line of credit is collateralized by certain assets held by SONE. The line of credit matures in March 2023.

(8) Payroll Protection Program

During 2020, SONE applied for and was granted an \$183,800 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. SONE is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Effective November 2, 2020, SONE applied for and was granted full forgiveness of the \$183,800 loan under the Paycheck Protection Program. The loan forgiveness is included in grant revenue in the statement of activities in 2020.

During 2021, SONE applied for and was granted an \$170,442 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. SONE is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Effective August 13, 2021, SONE applied for and was granted full forgiveness of the \$170,442 loan under the Paycheck Protection Program. The loan forgiveness is included in grant revenue in the statement of activities in 2021.

(9) Leases

SONE leases office space under a non-cancellable operating lease with an unrelated party expiring on October 31, 2024. The lease provides that the lessee pay common area maintenance plus monthly rent of \$4,520 from November 1, 2020 to October 31, 2021, \$4,635 from November 1, 2021 to October 31, 2022, \$4,750 from November 1, 2022 to October 31, 2023, and \$4,870 from November 1, 2023 to October 31, 2024. Office rent and common area maintenance expense for the years ended December 31, 2021 and 2020 was \$73,670 and \$72,450, respectively.

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SONE also leases a vehicle and certain office equipment under non-cancellable operating leases with unrelated parties which expire through fiscal year 2025. Rent is payable in monthly installments of \$954 for these leases. For vehicles and office equipment under lease, rent expense for the years ended December 31, 2021 and 2020 was \$11,447.

Minimum lease payments for these leases in future fiscal years are as follows:

2022	\$	65,256
2023		61,563
2024		51,019
2025		193

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Beneficial interests in charitable trusts held by others	\$ <u>91,764</u>	<u>75,143</u>
Subject to the passage of time and term endowment spending policy and appropriation:		
Term endowment for programs	3,428,844	2,955,856
Term endowment for Lincoln Shark's Special Olympic Team	<u>33,538</u>	<u>34,521</u>
Total endowments	<u>3,462,382</u>	<u>2,990,377</u>
Total net assets with donor restrictions	\$ <u><u>3,554,146</u></u>	<u><u>3,065,520</u></u>

Management has asserted that the donor-restricted term endowment funds are considered funds with donor restrictions. Per the donor's request, a governing committee was chosen whose responsibility is to administer the funds. Every five years, commencing January 2020, the program shall be reviewed by the committee and on a vote of 100% of the members, the committee may change how the funds are to be used. The agreements set the payout rate at 4% of the initial fund each year, or based upon committee request, more than 4% if the income exceeds the 4% payout rate. In addition, by 100% approval of all committee members, any part or all of the funds may be used if the committee finds a program or a need is so great that the funds should be used to establish that program or need.

(11) Endowments

SONE holds term endowment funds for support of its programs and operations. As required by GAAP, net assets and the changes therein associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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Management has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SONE classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. SONE classifies the original gift of donor-restricted term endowment funds as net assets with donor restrictions. Absent any donor-imposed restrictions, interest, dividends and net appreciation of donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in accordance with the spending policy stipulated by SONE or by the applicable donor gift agreement in a manner consistent with the standard of prudence prescribed by NUPMIFA.

At December 31, 2021 there is \$72,467 of cash recorded as restricted for term endowment on the statement of financial position. The \$72,467 represents the remaining balance from the endowment's 2020 yearly distribution which SONE did not spend all during 2021 and instead is planning on spending the funds in 2022.

In accordance with NUPMIFA, SONE considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of SONE and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of SONE.
7. The investment policies of SONE.

The composition of endowment net assets by type of fund is as follows at December 31, 2021 and 2020:

	2021		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted term endowment funds	\$ <u> --</u>	<u> 3,462,382</u>	<u> 3,462,382</u>

	2020		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted term endowment funds	\$ <u> --</u>	<u> 2,990,377</u>	<u> 2,990,377</u>

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Notes to Financial Statements December 31, 2021, with Comparative Totals for 2020

The changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ --	2,990,377	2,990,377
Investment return:			
Interest and dividends, net	--	43,621	43,621
Net appreciation (realized and unrealized)	--	436,917	436,917
Total investment return	--	480,538	480,538
Appropriations of endowment assets for expenditure	--	(8,533)	(8,533)
Endowment net assets, end of year	\$ --	3,462,382	3,462,382
	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ --	2,767,268	2,767,268
Investment return:			
Interest and dividends, net	--	43,988	43,988
Net appreciation (realized and unrealized)	--	180,121	180,121
Total investment return	--	224,109	224,109
Appropriations of endowment assets for expenditure	--	(1,000)	(1,000)
Endowment net assets, end of year	\$ --	2,990,377	2,990,377

Return Objectives and Risk Parameters

SONE has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while complying with all donor-imposed restrictions. Under this policy the endowment assets are invested in a manner that preserves the capital while generating a positive total return sufficient to provide income to SONE in a reasonable amount determined annually by the Board. The total returns over long periods of time are primarily achieved through capital appreciation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objective of preserving endowment funds, SONE relies on a total return strategy in which investment returns are achieved primarily through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SONE targets a diversified asset allocation that requires a minimum of 30% for fixed income securities and a maximum of 70% for equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

SONE preserves the value of the original gift as of the gift date of donor-restricted term endowments absent explicit donor stipulations stated in the gift agreements. Interest, dividends and net appreciation of the donor-restricted term endowment funds are deemed appropriated for expenditure when approved for distribution by the Board in accordance with the donor gift agreements.

The spending policy on income earned on current term-endowment funds was established by donor agreements. The agreements set the payout rate at 4% of the initial fund each year, or based upon committee request, more than 4% if the income exceeds the 4% payout rate. Earnings in excess of the payout rate are held as net assets with donor restrictions until appropriated.

(12) **Employee Benefit Plan**

SONE has a defined contribution plan which is available to its employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year. SONE matches contributions made by the employees from a minimum of 1% to a maximum of 3% of participant's base salary. Employees are immediately 100% vested in all matching or discretionary contributions made by SONE. Expense for the program for the years ended December 31, 2021 and 2020 was \$20,624 and \$18,666, respectively.

(13) **Allocation of Joint Costs**

SONE conducted activities that included requests for contributions, as well as public education and awareness of program activities, through direct marketing campaigns. The joint costs of these campaigns were allocated and included in the statement of activities as follows:

	<u>2021</u>	<u>2020</u>
Program	\$ 16,368	562
Fundraising	16,368	562
	<u>\$ 32,736</u>	<u>1,124</u>

(14) **Concentrations, Risks, and Uncertainties**

SONE maintains bank accounts in which balances sometimes exceed the federally insured limit. Management believes the risk relating to these deposits is minimal.

SONE routinely invests its funds in stocks, corporate bonds, U.S. Treasury notes, and fixed income and equity mutual funds. Investment in these funds is not entirely insured or guaranteed; however, management believes that credit risk related to these investments is minimal.

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.